

**KENTUCKY STATE UNIVERSITY
BOARD OF REGENTS**

Finance and Business Committee

July 27, 2012

**Regent _____, Chairperson
Regent Ron Banks
Regent David Guarnieri
Regent Chuck Whitehead**

KENTUCKY STATE UNIVERSITY

BOARD OF REGENTS

July 27, 2012

FINANCE AND BUSINESS MEETING INDEX

- B1** Minutes of June 4, 2012 meeting
- B2** Executive Summary Report
- B3** Fiscal 2012 Budget vs Actual
- B4** Fiscal 2012 Financials (unaudited)
- B5** Human Resource Services Report

KENTUCKY STATE UNIVERSITY
Regular Meeting of the
Finance and Business Committee
Board of Regents
10 am, July 27, 2012
Board Room, Academic Service Building
Frankfort, Kentucky

Regent _____, Presiding

AGENDA

- | | | |
|-------|---|---------------------|
| I. | Call to Order | Chairperson |
| II. | Roll Call | Mrs. Lillian Graham |
| III. | Opening Remarks | Chairperson |
| IV. | Approval of June 4, 2012 Minutes | Chairperson |
| V. | Executive Summary Report | Mrs. Alice Johnson |
| VI. | Action Items | |
| | - None | |
| VII. | Informational Items | |
| | - 2012 Budget vs Actual | |
| | - 2012 Financial Statements (unaudited) | |
| | - Human Resources Services Report | |
| VIII. | Discussion | Chairperson |
| XI. | Adjourn | Chairperson |

**KENTUCKY STATE UNIVERSITY
BOARD OF REGENTS
AGENDA ITEM BACKGROUND**

To:	Board of Regents Finance and Business Committee	Date: July 27, 2012
From:	Alice B. Johnson Vice President for Finance and Business Affairs	
Subject:	Finance and Business Committee Meeting Minutes June 4, 2012	
Reason for Consideration:	Action Item	Enclosures: Yes

Background:

The minutes of the June 4, 2012 meeting must be approved.

Recommendation:

Approval of the minutes of the meeting on June 4, 2012

Initiator:	Alice B. Johnson Vice President for Finance and Business Affairs
Board Action Date:	July 27, 2012
Effective Date:	July 27, 2012

**Kentucky State University
Finance and Business and Audit Committee Joint Meeting
Board of Regents
Finance and Business Committee – Audit Committee
11:30a.m., June 4, 2012
Frankfort, Kentucky**

MINUTES

I. Call to Order

Regent Whitehead called the meeting to order at 11:31 a.m. on June 4, 2012.

II. Roll Call

Regent Whitehead asked for the roll call, which was recorded as follows:

Regent David Guarnieri, absent
Regent Chuck Whitehead, present
Regent Ron Banks, present
Regent Mindy Barfield, absent
Regent Karen Bearden, present
Regent Syamala Reddy, absent
Regent Phyllis Williams, absent
Regent Lavaughn Henry, present
Mrs. Johnson, present

A quorum was declared.

III. Approval of Minutes

Action: Motion to approve the minutes from the April 27, 2012 Finance and Business Committee and Audit Committee meeting was made by Regent Whitehead. The minutes were approved as presented. Regent Whitehead recognized Mrs. Johnson to carry the discussion forward.

IV. Vice President's Report

Fiscal 2013 Financial Plan

Vice President Johnson gave an overview of the FY2013 Financial Plan. She stated that due to a deficit that had to be addressed, the Financial Plan was reexamined. She also stated that a lot of scrutiny was applied to several items in the budget in order to present to the Board a balanced budget.

Action: Motion to approve the Fiscal 2013 Financial Plan as submitted was made by Regent Henry and seconded by Regent Whitehead. The motion passed.

V. Adjournment

Motion for adjournment of the Finance and Business and Audit Committee meeting was made by Regent Whitehead. The meeting adjourned at 11:45am.

Submitted by:

Approved by:

Alice B. Johnson
Vice President for Finance and
Business
Kentucky State University

_____, Chair
Finance and Business Committee
Board of Regents
Kentucky State University

**KENTUCKY STATE UNIVERSITY
BOARD OF REGENTS
AGENDA ITEM BACKGROUND**

To:	Board of Regents Finance and Business Committee	Date:	July 27, 2012
From:	Alice B. Johnson Vice President for Finance and Business Affairs		
Subject:	Executive Summary		
Reason for Consideration:	Informational Item	Enclosures:	Yes

Background:

Recommendation:

Initiator:	Alice B. Johnson Vice President for Finance and Business Affairs
Board Action Date:	July 27, 2012
Effective Date:	July 27, 2012

**KENTUCKY STATE UNIVERSITY
BOARD OF REGENTS**

**Report to the
Finance and Business Committee**

**Alice B. Johnson
Vice President for Finance and Business Affairs**

July 27, 2012

Kentucky State University
Finance and Business Committee Meeting
July 27, 2012

Fiscal 2012 Audit

Fiscal 2012 audit activities began in May with planning and preliminary scheduling with Dean Dorton Allen & Ford. An update will be provided at the meeting.

Fiscal 2012 Budget vs Actual

For fiscal 2012, planned budget results were achieved meeting targeted spending goals. Please refer to item B3 for a description of preliminary, unaudited results.

KSU is projected to end fiscal year operations with a \$2.4 spending surplus.

Fiscal 2012 Financial Statements (unaudited)

For fiscal 2012, unaudited financials are presented in item B4 indicating a reduction in net assets of \$2.5 million. This reduction reflects unaudited changes in net assets after accruals have been recorded.

As stated previously, this planned reduction was anticipated and budgeted results were achieved. Future revenue increases coupled with cost reductions for fiscal 2013 are planned to replace to restore budgeted spending imbalances in the current biennium.

Staffing Changes

The following professional staff changes have occurred in the Division of Finance and Business

Resignation: Director of Budget Planning and Policy, Claudine Gee,
April 27, 2012

Resignation: Director of Accounting, Douglas Allen, June 11, 2012

Hiring: Data Operations/Compliance Specialist, Delandual Conwell,
June 1, 2012

**KENTUCKY STATE UNIVERSITY
BOARD OF REGENTS
AGENDA ITEM BACKGROUND**

To:	Board of Regents Finance and Business Committee	Date: July 27, 2012
From:	Alice B. Johnson Vice President for Finance and Business Affairs	
Subject:	Budget vs. Actual June 2012	
Reason for Consideration:	Informational Item	Enclosures: Yes

Background: Revenues and expenses are presented for the Educational and General Fund (E&G), Auxiliary Fund, Land Grant and Action Agenda Funds. Budget vs. Actual does not include restricted grants and contracts.

The summary of operations presented below is to assist in understanding the results reflected in the budget vs. actual report as of June 2012.

The state appropriates funds for Land Grant as required by the U.S. Department of Agriculture. Land Grant, Action Agenda and Auxiliary Funds are not available to the University for discretionary spending.

Revenue

- State appropriations are received in installments of 30% (July), 25% (October), 25% (January) and 20% (April) of each year. At June 2012, \$24.66 million of appropriations have been received. In FY11, \$486,800 represents FY12 appropriations advanced in FY11 as required by the state. Institutions were required to spend FY12 tuition and fee revenue to offset the advance in FY11.
- Student Tuition and Fees has been posted for Fall 2011 and Spring 2012 enrollment. Auxiliary revenues represent housing and board for resident students enrolled for Fall 2011 and Spring 2012. Student tuition and fees revenue amounts may decrease for the Spring 2012 semester due to student withdrawals after they have enrolled and year-end adjustments.
- Other revenue includes athletic income, indirect cost recovery, facility rentals, interest income, state funding for Regional Stewardship and a budgeted fund balance offset. As of June 2012, \$431,978 has been received for Regional Stewardship. Budget variance primarily reflects the effect of the budgeted fund balance spend in FY12.

Expense

- Salaries and benefits expenses are at 93.04% of budget. This variance is considered normal.
- Supplies, Travel, Communications and Services were expended at a level appropriate for the percent of fiscal year expired. These expenses are incurred more heavily during the academic year. Services include utilities and other services used for fall semester preparation. This variance is considered normal.
- Interdepartmental Costs may reflect reductions in expenses which are due to timing in recording journal entries. Fixed Costs include maintenance agreements that require payment in full at the beginning of the service agreement; therefore, these expenses are not incurred evenly over the fiscal year. This variance is considered normal.
- Student Aid should be recorded consistent with Tuition and Fees. Student Aid is typically recorded as students complete the registration process and aid awarded is accepted and posted to student accounts. This variance is considered normal.
- Transfers include debt service obligations and internal reallocations. Transfers are typically recorded at the beginning of the fiscal year. This variance is considered normal.

Recommendation:

Initiator:	Tao-fen Bi Budget Analyst, Budget Policy & Planning
Board Action Date:	July 27, 2012
Effective Date:	July 27 , 2012

**Budget vs. Actual
Month Ending June 30, 2012**

	YTD ACTUAL BY FUND GROUP									
	Approved Budget	Revised Budget	YTD Actual Activity	YTD Actual % of Revised Budget	% Expired	Variance	Education & General	Auxiliary	Land Grant & Action	Agency
Revenues										
State Appropriations	25,146,800	25,146,800	24,660,001	98.06%	100.00%	-1.94%	18,389,069	0	6,270,932	0
Student Tuition & Fees	22,213,287	22,213,287	23,585,338	106.18%	100.00%	6.18%	23,585,338	0	0	0
Auxiliaries	6,516,120	6,516,120	6,850,087	105.13%	100.00%	5.13%	0	6,850,087	0	0
Other	4,778,700	4,778,700	1,359,739	28.45%	100.00%	-71.55%	1,359,739	0	0	0
Revenues Total	58,654,907	58,654,907	56,455,165	96.25%	100.00%	-3.75%	43,334,146	6,850,087	6,270,932	0
Expenditures										
Salaries/Wages/Benefits	31,334,968	32,752,585	30,471,897	93.04%	100.00%	-6.96%	26,473,832	1,183,966	2,814,099	0
Supplies & Other	3,119,057	3,039,440	1,759,877	57.90%	100.00%	-42.10%	1,067,420	325,639	366,818	0
Travel	1,627,069	1,524,772	1,211,994	79.49%	100.00%	-20.51%	1,082,183	654	129,157	0
Communications	603,134	494,734	495,174	100.09%	100.00%	0.09%	460,577	18,435	16,162	0
Services	9,491,199	8,696,516	7,598,683	87.38%	100.00%	-12.62%	3,825,176	3,490,930	282,577	0
Interdepartmental	409,914	262,468	(26,996)	-10.29%	100.00%	-110.29%	95,078	(183,117)	61,043	0
Fixed Costs	3,428,088	4,623,181	3,621,459	78.33%	100.00%	-21.67%	3,223,535	185,535	212,389	0
Student Aid	4,693,994	4,523,848	5,105,701	112.86%	100.00%	12.86%	4,785,877	319,824	0	0
Capital	1,314,371	147,184	1,343,430	912.75%	100.00%	812.75%	341,321	361,782	640,327	0
Expenditures Total	56,021,794	56,064,728	51,581,218	92.00%	100.00%	-8.00%	41,354,999	5,703,648	4,522,572	0
Surplus (Deficit) before Transfers	2,633,113	2,590,179	4,873,947	90.08%	100.00%	-9.92%	1,979,147	1,146,440	1,748,360	0
Mand & Nonmandatory Transfers	2,633,113	2,590,179	2,428,408	90.08%	100.00%	-9.92%	1,549,469	859,312	19,627	0
Surplus (Deficit)	0	0	2,445,538				429,678	287,127	1,728,733	0

**E & G Budget vs. Operating Projection
Through June 30, 2012**

	Original Budget	Revised Budget	June 2012 YTD Activity Projection
Revenues			
State Appropriations	25,146,800	25,146,800	24,660,001
Student Tuition & Fees	22,213,287	22,213,287	23,585,338
Auxiliaries	6,516,120	6,516,120	6,850,087
Other	4,778,700	4,778,700	1,359,739
Projected Revenues Total	58,654,907	58,654,907	56,455,165
Expenditures			
Salaries/Wages/ & Benefits	31,334,968	32,752,585	30,471,897
Supplies & Other	3,119,057	3,039,440	1,759,877
Travel	1,627,069	1,524,772	1,211,994
Communications	603,134	494,734	495,174
Services	9,491,199	8,696,516	7,598,683
Interdepartmental	409,914	262,468	(26,996)
Fixed Costs	3,428,088	4,623,181	3,621,459
Student Aid	4,693,994	4,523,848	5,105,701
Capital	1,314,371	147,184	1,343,430
Projected Expenditures Total	56,021,794	56,064,728	51,581,219
Surplus (Deficit) before Transfers	2,633,113	2,590,179	4,873,947
Mandatory transfers	2,633,113	2,590,179	2,428,408
Projected Surplus (Deficit)	0	0	2,445,538
Noncash Expenses & Accruals			
Depreciation			(4,393,703)
Bad Debt Expense			(400,000)
Accrued Liabilities - Compensated Abs			(200,000)
Accrued Liabilities - Payable to Vendors			(100,000)
Projected Change in Net Assets			(2,648,165)
Budgeted Fund Balance Spending FY12			
FY12 Advance Appropriation in FY11			486,800
FY11 E&G and Plant Fund Balance			2,200,000
Total Fund Balance Spend			2,686,800
Budget vs. Actual Projection			38,635

**KENTUCKY STATE UNIVERSITY
BOARD OF REGENTS
AGENDA ITEM BACKGROUND**

To:	Board of Regents Finance and Business Committee	Date:	July 27, 2012
From:	Alice B. Johnson Vice President for Finance and Business Affairs		
Subject:	Preliminary Unaudited Financial Statements- June 30, 2012		
Reason for Consideration:	Informational Item	Enclosures:	Yes

Background:

Interim Financial Statements are included as of June 30, 2012. A brief summary explanation of certain current assets and plant items follows:

1. Cash and cash equivalents total \$27.6 million. This amount includes \$18.3 million that is restricted for Land Grant and Action Agenda programs and \$4.1 million that is restricted for plant purposes. The remainder is current operating cash that will be disbursed for current operations during the year.
2. Accounts receivable totaling \$11.4 million includes the receivables from students, grants and loans. This amount includes \$6 million in student accounts receivables, and \$5.4 million that is grants and other accounts receivables.
3. Current liabilities of \$9.2 million consist of accounts payable and accrued payroll liabilities. Accrued compensated absences total \$2.1 million and Deferred Revenue totals \$2.3 million.
4. As of June 2012, net assets reflect a \$2.5 million decrease primarily due to federal grants and contract revenues.

The Statement of Cash Flows reflects a net decrease of \$2 million at June 2012. Operations consumed \$33.8 million of cash through June 2012.

Initiator:	Katherine Napier Associate Vice President for Business Operations
Board Action Date:	July 27, 2012
Effective Date:	July 27, 2012

Kentucky State University
Statement of Net Assets
June 30, 2012
(Unaudited)

	<u>FY 2012</u>
ASSETS	
Current assets	
Cash and cash equivalents	27,649,764
Accounts, grants and loans receivable, net	10,647,294
Investments	-
Inventory and other current assets	846,364
Total current assets	<u>39,143,422</u>
Noncurrent assets	
Accounts, grants and loans receivable, net	773,775
Investments	11,399,403
Capital assets, net	80,295,452
Total noncurrent assets	<u>92,468,630</u>
Total assets	<u>131,612,052</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	3,547,611
Accrued compensated absences	2,150,976
Deferred revenue	2,293,030
Deposits	192,811
Other current liabilities	256,226
Bonds and capital lease obligations	767,784
Total current liabilities	<u>9,208,438</u>
Noncurrent liabilities	
Bonds and capital lease obligations	7,904,835
Federal grants refundable	991,709
Total noncurrent liabilities	<u>8,896,544</u>
Total liabilities	<u>18,104,982</u>
NET ASSETS	
Invested in capital assets, net of related debt	71,622,833
Restricted	
Nonexpendable	9,642,500
Expendable	5,973,507
Unrestricted	<u>26,268,230</u>
Total net assets	<u>113,507,070</u>

Kentucky State University
Addendum to Statement of Net Assets
Components of Fund Balances - Disaggregated
(Unaudited)

	June 30 2011	Actual YTD Activity	June 30 2012
Invested in Capital Assets, net of related debt	<u>73,936,125</u>	<u>(2,313,292)</u>	<u>71,622,833</u>
Restricted - Nonexpendable:			
Endowments	<u>8,594,513</u>	<u>1,047,987</u>	<u>9,642,500</u>
Expendable:			
Grants & Contracts	(689,996)	388,134	(301,862)
Endowments	1,541,194	(551,051)	990,143
Plant Renewal & Replacement	3,928,818	496,751	4,425,569
Capital Renewal Reserves	<u>339,656</u>	<u>520,000</u>	<u>859,656</u>
	<u>5,119,673</u>	<u>853,833</u>	<u>5,973,506</u>
Unrestricted:			
Education & General	7,167,009	(1,683,993)	5,483,016
E&G Plant Reserve	2,500,000	(2,500,000)	-
Auxiliary	2,604,598	309,751	2,914,349
Land Grant Match	<u>16,057,297</u>	<u>1,813,569</u>	<u>17,870,866</u>
	<u>11,640,769</u>	<u>(2,060,673)</u>	<u>26,268,231</u>
Total Net Assets	<u>115,979,215</u>	<u>(2,472,145)</u>	<u>113,507,070</u>

Kentucky State University
Statement of Revenues, Expenses and Changes in Net Assets (By Function)
Period Ending June 30, 2012
(Unaudited)

	<u>FY 2012</u>
REVENUES	
Operating Revenues	
Student tuition and fees (gross)	23,348,005
Less: Scholarship allowances	<u>(4,588,722)</u>
Student tuition and fees (net of scholarships)	18,759,283
Federal grants and contracts	6,440,774
Federal appropriations	3,419,722
State and local grants and contracts	1,107,907
Nongovernmental grants and contracts	74,400
Auxiliary enterprises	
Residence halls	3,306,895
Dining	3,255,868
Bookstore	125,000
Other auxiliaries	100,127
Other operating revenues	<u>1,409,693</u>
Total operating revenues	<u>37,999,669</u>
EXPENSES	
Operating expenses	
Educational and general	
Instruction	13,719,538
Research	6,119,489
Public service	6,765,166
Academic support	4,013,732
Student services	7,146,854
Institutional support	11,389,312
Operation and maintenance of plant	5,470,300
Student aid	10,598,918
Depreciation	4,088,003
Auxiliary enterprises	
Residence halls	2,398,972
Dining	2,842,084
Bookstore	-
Other auxiliaries	159,246
Depreciation	<u>314,911</u>
Total operating expenses	<u>75,026,525</u>
Operating income (loss)	(37,026,856)

Kentucky State University
Statement of Revenues, Expenses and Changes in Net Assets (By Function)
Period Ending June 30, 2012
(Unaudited)

NONOPERATING REVENUES (EXPENSES)	
State appropriations	25,555,415
Federal Grants and Contracts	7,654,779
Gifts	250,118
Investment income (net of investment expense)	676,399
Interest on capital asset-related debt	(379,855)
Other nonoperating revenues (expenses)	<u>691,303</u>
Net nonoperating revenues	34,448,159
Income (loss) before other revenues, expenses, gains or losses	 (2,578,697)
Endowment Gifts	106,552
Capital appropriations	<u>-</u>
Increase (decrease) in net assets	(2,472,145)
Net assets, beginning of year	115,979,215
Beginning balance adjustments	<u>-</u>
Net assets, end of year	<u>113,507,070</u>

Kentucky State University
Statement of Cash Flows
Period Ending June 30, 2012
(Unaudited)

	<u>FY 2012</u>
Cash flows from operating activities	
Tuition and fees	16,441,532
Grants and contracts	10,665,091
Payments to suppliers	(32,017,323)
Payments to employees	(36,340,123)
Loans issued to students	(230,989)
Collection of loans issued to students	199,825
Auxiliary enterprises:	
Residence halls and dining	6,562,763
Bookstore	125,000
Other auxiliaries	100,127
Other receipts	<u>1,246,520</u>
Net cash from operating activities	(33,776,965)
Cash flows from noncapital financing activities	
State appropriations	25,555,415
Federal Grants and Contracts	7,654,779
Gifts for other than capital purposes	356,670
Student organization agency receipts	191,360
Student organization agency disbursements	(73,544)
Other receipts (payments)	<u>691,304</u>
Net cash from noncapital financing activities	34,375,984
Cash flows from capital financing activities	
Capital appropriations	-
Purchases of capital assets	(1,321,838)
Proceeds from capital debt	-
Principal paid on capital debt	(767,783)
Interest paid on capital debt	<u>(379,855)</u>
Net cash flows from capital financing activities	(2,469,476)
Cash flows from investing activities	
Interest received on investments	227,955
Investment expenses	(69,435)
Proceeds from sale of investments	(1,106,216)
Purchases of investments	<u>769,727</u>
Net cash flows from investing activities	(177,969)
Net increase (decrease) in cash and cash equivalents	(3,170,226)
Cash and cash equivalents at beginning of year	<u>29,623,196</u>
Cash and cash equivalents at end of year	<u>27,649,764</u>

Kentucky State University
Statement of Cash Flows
Period Ending June 30, 2012
(Unaudited)

**Reconciliation of net operating loss to net cash
from operating activities**

Operating loss	(37,026,856)
Adjustments to reconcile operating Income to net cash from operating activities:	-
Depreciation expense	4,402,914
Loss on disposal of capital assets	-
Changes in assets and liabilities:	
Receivables, net	(3,021,087)
Inventory and prepaid expenses	269,021
Accounts payable and accrued liabilities	1,791,427
Accrued compensated absences	19,957
Other Liabilities	(284,270)
Deferred revenue	147,023
Net cash from operating activities	<u>(33,776,965)</u>

**KENTUCKY STATE UNIVERSITY
BOARD OF REGENTS
AGENDA ITEM BACKGROUND**

To:	Board of Regents Finance and Business Committee	Date: July 27, 2012
From:	Alice B. Johnson Vice President for Finance and Business Affairs	
Subject:	Human Resources Update	
Reason for Consideration:	Informational Item	Enclosures: No

Background: Human Resource Services has initiated and implemented several significant projects for the University as described below:

1. Benefits open enrollment for the 2012/2013 benefit plan year was completed with multiple meetings as well as recordings of meetings posted on the Human Resources web page for employees unable to attend.
2. All changes to employee elective benefits resulting from the open enrollment were entered into the Enterprise Resource Planning (ERP) system.
3. Data collection and verification for the affirmative action plan continued.
4. Worked with Institutional Research to assign all job titles to Standard Occupational Codes (SOC) for external reporting purposes.
5. A contract was signed with an outside provider to provide employee benefit administration services for all University employees as well as providing administrative support.
 - Services include but are not limited to:
 - Employee call center;
 - Employee assistance with eligibility and claims questions;
 - New hire enrollment;
 - Data export report for upload to ERP; and
 - Monthly premium and contributions reconciliations.

Initiator:	Gary Meiseles Director of Human Resource Services
Board Action Date:	July 27, 2012
Effective Date:	July 27, 2012